

VZCZCXYZ1105
RR RUEHWEB

DE RUEHNV #0165/01 0631615
ZNR UUUUU ZZH
R 031615Z MAR 08
FM AMEMBASSY MONROVIA
TO RUEHC/SECSTATE WASHDC 9802
RUCPDOG/USDOC WASHDC
INFO RUEHZK/ECOWAS COLLECTIVE
RUEHLC/AMEMBASSY LIBREVILLE 0793
RUEHLGB/AMEMBASSY KIGALI 0027

UNCLAS MONROVIA 000165

SIPDIS

SENSITIVE
SIPDIS

DEPARTMENT FOR AF/W

E.O. 12958: N/A
TAGS: [ECPS](#) [ECON](#) [AORC](#) [LI](#)
SUBJECT: LIBERIA: NASCENT TELECOM SECTOR

REF A) STATE 9659
B) MONROVIA 32 Investment Climate Statement
C) 07 MONROVIA 987 Telecom law

¶1. (SBU) Summary: Most of Liberia's communications infrastructure was destroyed in the 14-year civil war. Cell phones are ubiquitous but there are no land line phones. Internet access is expensive and bandwidth is limited. All electricity in Monrovia is privately generated except 2.5 MW (soon to increase to about 10 MW) provided by international donors. Liberia has a small population (under 4 million people) and low disposable income (GDP per capita estimated at under \$500 a year). It remains a challenging market for importers and investors. (Ref B). Newly created telecommunications regulator Liberia Telecommunications Authority (LTA) intends to enact regulations that will protect both investors and consumers. LTA is also embarking on negotiations to access the SAT-3 submarine fiber optics cable, which will expand availability of Internet bandwidth. End Summary.

The Regulator Takes the Reins

¶2. (SBU) The Telecommunications Law, enacted July, 2006 (Ref D), has brought some order to the cell phone sector. Under the Act, the Ministry of Post and Telecommunication now handles policy, with regulation handled by the newly created Liberia Telecommunications Authority (LTA). LTA Chairman Albert Nah Bropleh told Econoff and Econ Assistant February 7 that the first regulation, on licensing, was to be issued February 8, and LTA is in the process of harmonizing GSM licenses issued by the previous National Transitional Government of Liberia. Although the Act mandated that LTA harmonize GSM licenses by February 17, 2008, Bropleh confirmed they did not meet that deadline. Bropleh said the number of licenses will be influenced by protecting market share of existing investors, but there is still room to partner with them.

Cell Phones Booming

¶3. (U) Cell phones are ubiquitous. The destruction of land-line infrastructure and absence of regulation provided fertile ground for the cell phone sector, even in the unsettled period before the 2003 peace agreement. The cell phone companies operate in 12 of the 15 counties, in addition to the Monrovia area. According to recent estimates they have approximately 250,000 subscribers with a penetration rate at 30%. However, estimates are difficult because firms double-count owners of multiple phones.

¶4. (SBU) The four existing cell phone companies are, Bropleh said, ripe for consolidation or partnerships, and there are opportunities in support services. Lonestar claims over 50% of the market; Cellcom

about 40%, Comium is estimated at 10% and Libercell has a negligible share. The major firms are upgrading their technology and trying to respond to GOL pressure to provide national coverage. Lonestar has upgraded services after a capital injection from new majority partner MTM. Cellcom is working to expand service across the country and is planning to add WIMAX wireless service in Monrovia. Comium already provides WIMAX in three counties. Libercell is the only GPRS-enabled network service provider. Bropleh said there is room in the market for a back-haul provider (inter-city transmission for all the GSM companies). LTA, he said, is prepared to spend to support that initiative.

Internet Potential

15. (SBU) Internet access is expensive and bandwidth is scarce. Internet penetration is difficult to estimate. Most Internet users are in Monrovia. Many subscribers are non-Liberians, such as NGO employees, and there is high turnover. The lack of a viable subscriber base outside Monrovia undermines expansion. One firm, for example, supports a money-losing WIMAX (long distance wireless transmission) base station in Liberia's second-largest city, but it has only 6-7 subscribers. There is limited GPRS access for world wide web access. At present, there is no "push e-mail" service (such as BlackBerry), but the largest service provider, owned by MTN Group SA, is planning to introduce the service in 2008.

16. (SBU) According to Bropleh, Liberia is looking into the possibility of tapping into the South Atlantic 3/West Africa Submarine cable (SAT-3), which would greatly expand bandwidth. Liberia, like neighboring Sierra Leone and Guinea, does not have a SAT-3 landing point. However, Bropleh said they have stopped trying coordinate with these countries to implement a common link up strategy. According to one analyst, the best option for Liberia would probably be to connect via an overland fiber optic cable to the Cote d'Ivoire landing point.

Market Dynamics

17. (SBU) Many of the market challenges are not sector specific. Companies note the difficulty of maintaining nation-wide service in the absence of roads or electricity in most of the country. Obstacles such as onerous customs procedures for all imports -- whether technical equipment for the company's own use (i.e. not for resale) or even for simple promotional products to be given away free such as t-shirts -- are an additional encumbrance.

18. (SBU) The telecom industry came under stress during debate over the Telecommunications Act last year, but the companies tell us they now coordinate well on advocacy. The industry meets regularly and works well together. They agree there should be harmonization, but it should not be one-sided and retroactive. Their existing licenses may have been issued on favorable terms but, they note, they invested heavily when "there were still guns in the streets."

19. (SBU) GSM companies tell us they consider the LTA high-handed, interested more in squeezing revenue from the existing firms than in building the sector. They would like more clarity on the government's policy direction and more predictability on licensing, investment incentives and frequency allocation (and motives for it).

(Note: In a meeting with one of the major cellular companies, the Chief Executive had no idea of the status of proposed regulations, or that the LTA intended to issue licensing guidelines that day. There had been no prior consultation with the industry. End note.)

10. (SBU) Tensions between companies and the LTA persist. Bropleh himself has been described to us (by industry sources) as intolerable, arbitrary and stubborn. He recently returned to Liberia as a businessman, had his application for a telecom license rejected, and was shortly thereafter named Chairman of the newly created regulator, a selection that passed over a current LTA Commissioner who had worked hard to shepherd the bill through the legislature. None of the Commissioners has a regulatory background and both industry participants and international experts have suggested that the LTA seems primarily focused on collecting all the revenues they can from industry. Three of the cell phone operators

have told us that immediately after the LTA pressured them for fee payments in excess of those required by their licenses (\$100,000, in at least one case), the LTA released a tender in the local newspapers for luxury vehicles for the commissioners' use.

¶11. (SBU) Comment: The need to harmonize license fees and regularize the industry in line with best practices is clear. Arbitrary fee requests from the LTA even affected the Embassy during preparations for a recent POTUS visit, as Emboffs had to negotiate down an outrageous fee demand for frequencies. We believe exposure to more experienced regulators and assistance to move toward international best practices would be extremely helpful as LTA gets its bearings. USAID is considering several possible forms of technical assistance in that regard. End Comment.

Robinson